



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
OFFICE OF INSPECTOR GENERAL**

DATE: September 23, 2016

PREPARED BY: [REDACTED]

CASE #: OI-DA-2015-CFR-0035

CROSS REFERENCE #:

TITLE: LOUISIANA DEPARTMENT OF ENVIRONMENTAL QUALITY, ET AL

CASE CLOSING REPORT

Subject(s)	Location	Other Data
LDEQ	Baton Rouge, Louisiana	

VIOLATION(S): The potential violations were 18 U.S.C 1001 (False Statements), 18 U.S.C. 287 (False Claims), 18 U.S.C. 1341, (Mail Fraud), and 31 U.S.C. 3729-3733 (Civil False Claims).

ALLEGATION: On February 12, 2015, EPA CID Headquarters referred an investigative complaint (FY15-124925-3714) to [REDACTED], Office of Investigations (OI), Office of Inspector General (OIG), United States Environmental Protection Agency (EPA), Dallas, Texas. The complaint was regarding Laborde Products Inc. (LPI), 74257 Highway 25, Covington, Louisiana, 70435, allegedly selling and exporting repaired decommissioned marine diesel engines in the Bahamas and Vietnam. The allegations against LBI were not supported and LBI was severed from this investigation. Moreover, the Louisiana Department of Environmental Quality (LDEQ) was awarded \$2.5 million from the EPA's Diesel Emission Reduction Act Program to repower marine diesel engines and to reduce diesel emissions by retrofitting, upgrading and replacing diesel engines and equipment on-road and off-road.

FINDINGS: In March 2015, [REDACTED] interviewed [REDACTED] [REDACTED] LDEQ, and employees from [REDACTED] [REDACTED] Louisiana, on separate occasions, regarding their knowledge and involvement with purchasing and scrapping four diesel engines. [REDACTED] stated that [REDACTED] "remembered these engines".

█████ stated "A couple may have been rebuilt for repower and a couple pilfered and scrapped and used for parts." █████ was not sure of the number of engines rebuilt or sold, but █████ was certain one engine was built to Tier 1 standard and █████ did not upgrade anything.

█████ explained LDEQ has a contract dated October 15, 2009, with the Louisiana Department of Transportation and Development (LDOTD), titled "Cooperative Engagement Agreement (CEA) 681888". According to █████, the CEA stipulates on page five, section 13, that the LDOTD shall comply with all federal laws and LDOTD acknowledged the source of the funds were from EPA grant 9667800. In 2010, LDOTD submitted the invoices for the ferry boat engines and LDEQ had to amend the CEA with LDOTD.

Regarding the final disposition of the four marine vehicle diesel engines, █████ stated, "if one of those engines was rebuilt or remanufactured to Tier 1, in my opinion, LDEQ will have to reimburse that part of the grant, because the grant stipulation is violated." █████ read the applicable language from page 13 of EPA grant, paragraph 11, which refers to scrapping and replacement. █████ concluded EPA provided 60 percent and the State of Louisiana provided 40 percent of the funds for the grant projects and the State would have to pay 60 percent of the cost to replace each engine.

Throughout the course of the investigation, investigative efforts supported LDEQ did not utilize EPA grant funds accordingly and was asked to repay \$324,130.50, because two diesel marine vessel engines were remanufactured at the Tier 1 Emission Standard.

DISPOSITION: On March 26, 2015, █████ telephonically contacted Irene Gonzalez, Assistant United States Attorney (AUSA), Department of Justice, Eastern District of Louisiana, and informed AUSA Gonzalez this investigation (b) (5) █████

█████. Furthermore, LDEQ agreed to an amicable settlement with EPA Region 6.

On June 9, 2016, EPA Region 6 sent a letter to Assistant United States Attorney, Civil Chief Catherine M. Maraist, Middle District of Louisiana (MDOL), informing AUSA Maraist EPA Region 6 was amenable to LDEQ scrapping or permanently disabling two engines from the Marine/Vessel █████ in advance of the end of their useful life from LDTOD current fleet in lieu of repayment of \$324,130.50 provided that the emissions reductions achieved were the same or greater than the original proposal.

The repayment was requested because two engines were sold at auction instead of scrapped as required by the terms and conditions of the original grant. On June 14, 2016, LDTOD's permanent disabling of two of the M/V █████ engines was witnessed by █████ in Plaquemine, Louisiana.

On September 12, 2016, █████ received a final settlement letter from █████, █████, Multimedia Permitting and Planning Division, EPA Region 6.

On September 15, 2016, [REDACTED] received the MDOL's final version of the settlement agreement.

The information gathered is sufficient to support the allegations. This case is now closed.